



MICHIGAN
HOUSE OF REPRESENTATIVES
P.O. Box 30014
LANSING, MICHIGAN 48909-7514

MINUTES OF THE COMMITTEE
ON
TAX POLICY

Wednesday, December 2, 2015 10:30 a.m. Room 521, House Office Building

The House Committee on Tax Policy was called to order by the Chairman, Representative Jeff Farrington.

Members present: Representatives Farrington, Maturen, Somerville, Yonker, Howrylak, Chatfield, Glenn, Iden, Webber, Townsend, Clemente, LaVoy, and Byrd.

Members absent/excused: None.

Representative Maturen moved to adopt the minutes from the Tuesday, December 1, meeting.

There being no objection, the motion prevailed by unanimous consent.

The Chair laid before the committee :

HB 5074 (VerHeulen) Use tax; exemptions; property exemption for data centers; provide for.

HB 5075 (Yonker) Sales tax; exemptions; property exemption for data centers; provide for.

HB 5076 (Schor) Property tax; exemptions; property exemption for data centers; provide for.

Substitutes (H-1) were adopted to HB 5074, HB 5075, and HB 5076 at the December 1, 2015 meeting.

Jeremy Hendges, representing the Michigan Department of Talent and Economic Development, testified to HB 5074, HB 5075, and HB 5076.

Steve York, representing Secure-24, testified in support of HB 5074, HB 5075, and HB 5076.

Tricia Kinley, representing the Michigan Chamber of Commerce, testified in opposition to HB 5074, HB 5075, and HB 5076, as drafted.

Allie Bush and Andy Johnston, representing the Grand Rapids Area Chamber of Commerce, and Jim Vandermeij, representing Open Systems Technology, testified in support of HB 5074, HB 5075, and HB 5076.

Judy Allen, representing the Michigan Townships Association, testified in opposition to HB 5074, HB 5075, and HB 5076, as introduced.

Matthew Gibb and Sam Boumis, representing Oakland County, testified with a neutral position on HB 5074, HB 5075, and HB 5076.

Charles Owens, representing the National Federation of Independent Business, testified in opposition to HB 5074, HB 5075, and HB 5076, as introduced.

Brigit Klohs, representing The Right Place, testified in support of HB 5074, HB 5075, and HB 5076.

Chris Hackbarth, representing the Michigan Municipal League, testified to HB 5074, HB 5075, and HB 5076, with no position.

The following people submitted a testimony card in opposition to HB 5074, HB 5075, and HB 5076, but did not wish to speak:

Kathleen Merry, representing the Wayne County Regional Educational Service Agency, as introduced.

Jennifer Smith, representing the Michigan Association of School Boards, as introduced.

Lisa Hansknecht, representing Oakland Schools.

Emily Laidlaw, representing the Michigan Association of Intermediate School Administrators.

Julie Rowe, representing the American Federation of Teachers Michigan.

Jason Gillman Jr., representing himself.

Christina Canfield, representing the Michigan Education Association.

The following people submitted a testimony card in support of HB 5074, HB 5075, and HB 5076, but did not wish to speak:

Jason Puscas, representing the Detroit Regional Chamber of Commerce, in concept.

Brian O'Connell, representing General Motors, in concept.

Lisa Canada, representing the Michigan Regional Council of Carpenters and Millwrights.

Todd Tennis, representing the International Brotherhood of Electrical Workers.

Doug Small, representing Experience GR.

Jim Miller, representing the City of Grand Rapids.

Stacie Behler, representing Meijer.

Mark Stadt, representing DTE Energy.

Elizabeth Gorz, representing the Michigan Association of Counties, submitted a testimony card neutral on HB 5074, HB 5075, and HB 5076, but did not wish to speak.

Representative Iden offered the following amendments to HB 5074 (H-1):

1. Amend page 2, line 1, after 'OF' by striking out "2" and inserting "1".

2. Amend page 2, line 24, after “OF” by striking out “THIRD-PARTY DATA” and inserting “DATA OF 1 OR MORE OTHER PERSONS”.

Representative Iden moved to adopt the amendments to HB 5074 (H-1).

The motion prevailed by a vote of 13-0-0.

FAVORABLE ROLL CALL:

YEAS: Representatives Farrington, Maturen, Somerville, Yonker, Howrylak, Chatfield, Glenn, Iden, Webber, Townsend, Clemente, LaVoy, and Byrd.

NAYS: None.

PASS: None.

Representative LaVoy offered the following amendment to HB 5074 (H-1):

1. Amend page 5, following line 5, by inserting:

“Enacting section 1. The legislature shall annually appropriate sufficient funds from the state general fund to the state school aid fund created in section 11 of article IX of the state constitution of 1963 to fully compensate for any loss of revenue to the state school aid fund resulting from the enactment of the amendatory act.”.

Representative LaVoy moved to adopt the amendment to HB 5074, (H-1).

The motion failed by a vote of 4-8-1.

UNFAVORABLE ROLL CALL:

YEAS: Representatives Townsend, Clemente, LaVoy, and Byrd.

NAYS: Representatives Farrington, Maturen, Somerville, Yonker, Chatfield, Glenn, Iden, and Webber.

PASS: Representative Howrylak.

Representative Townsend offered the following amendment to HB 5074 (H-1):

1. Amend page 2, line 2, by striking out all subdivisions (B) and (C) and inserting:

“(B) “DATA CENTER EQUIPMENT” MEANS MATERIAL USED IN OR IN SUPPORT OF AND LOCATED AT A QUALIFIED DATA CENTER, INCLUDING COMPUTER SYSTEM HARDWARE INCLUDING SERVERS AND ROUTERS, COMPUTER SOFTWARE, STORAGE RACKS AND CAGES FOR COMPUTER EQUIPMENT, INTERIOR FIBER-OPTIC AND COPPER CABLES, PROPERTY REQUIRED TO MAINTAIN THE APPROPRIATE CLIMATE-CONTROLLED ENVIRONMENT FOR THE PROPERT IN THE QUALIFIED DATA CENTER SUCH AS AIR FILTRATION AND AIR CONDITIONING EQUIPMENT AND VAPOR BARRIERS, PROPERTY RELATED TO FIRE CONTROL SUCH AS FIRE SUPPRESSION EQUIPMENT AND ALARMS, POWER GENERATORS, POWER CONDITIONERS, PROPERTY RELATED TO PROVIDING A SECURE ENVIRONMENT SUCH AS

PROTECTIVE BARRIERS, PROPERTY WHICH WHEN INSTALLED IN SUCH FACILITY OR STRUCTURE WILL CONSTITUTE RAISED FLOORING, AND OTHER SIMILAR PROPERTY.” and reentering the remaining subdivisions.

Representative Townsend moved to adopt the amendment to HB 5074 (H-1).

The motion failed by a vote of 5-8-0.

UNFAVORABLE ROLL CALL:

YEAS: Representatives Howrylak, Townsend, Clemente, LaVoy, and Byrd.

NAYS: Representatives Farrington, Maturen, Somerville, Yonker, Chatfield, Glenn, Iden, and Webber.

PASS: None.

Representative Maturen moved to report HB 5074 as substitute (H-2), with recommendation.

The motion prevailed by a vote of 8-5-0.

FAVORABLE ROLL CALL:

YEAS: Representatives Farrington, Maturen, Yonker, Iden, Webber, Clemente, LaVoy, and Byrd.

NAYS: Representatives Somerville, Howrylak, Chatfield, Glenn, and Townsend.

PASS: None.

Representative Iden offered the following amendments to HB 5075 (H-1):

1. Amend page 2, line 1, after ‘OF’ by striking out “2” and inserting “1”.
2. Amend page 2, line 24, after “OF” by striking out “THIRD-PARTY DATA” and inserting “DATA OF 1 OR MORE OTHER PERSONS”.

Representative Iden moved to adopt the amendments to HB 5075 (H-1).

The motion prevailed by a vote of 13-0-0.

FAVORABLE ROLL CALL:

YEAS: Representatives Farrington, Maturen, Somerville, Yonker, Howrylak, Chatfield, Glenn, Iden, Webber, Townsend, Clemente, LaVoy, and Byrd.

NAYS: None.

PASS: None.

Representative LaVoy offered the following amendment to HB 5074 (H-1):

1. Amend page 5, following line 5, by inserting:

“Enacting section 1. The legislature shall annually appropriate sufficient funds from the state general fund to the state school aid fund created in section 11 of article IX of the state constitution of 1963 to fully compensate for any loss of revenue to the state school aid fund resulting from the enactment of the amendatory act.

Enacting section 2. The legislature shall annually appropriate sufficient funds from the state general fund to cities, villages, and townships to fully compensate for any loss of revenue under section 10 of article IX of the state constitution of 1963 resulting from the enactment of this amendatory act.”.

Representative LaVoy moved to adopt the amendment to HB 5075 (H-1).

The motion failed by a vote of 4-8-1.

UNFAVORABLE ROLL CALL:

YEAS: Representatives Townsend, Clemente, LaVoy, and Byrd.

NAYS: Representatives Farrington, Maturen, Somerville, Yonker, Chatfield, Glenn, Iden, and Webber.

PASS: Representative Howrylak.

Representative Townsend offered the following amendment to HB 5075 (H-1):

1. Amend page 2, line 2, by striking out all subdivisions (B) and (C) and inserting:
“(B) “DATA CENTER EQUIPMENT” MEANS MATERIAL USED IN OR IN SUPPORT OF AND LOCATED AT A QUALIFIED DATA CENTER, INCLUDING COMPUTER SYSTEM HARDWARE INCLUDING SERVERS AND ROUTERS, COMPUTER SOFTWARE, STORAGE RACKS AND CAGES FOR COMPUTER EQUIPMENT, INTERIOR FIBER-OPTIC AND COPPER CABLES, PROPERTY REQUIRED TO MAINTAIN THE APPROPRIATE CLIMATE-CONTROLLED ENVIRONMENT FOR THE PROPERT IN THE QUALIFIED DATA CENTER SUCH AS AIR FILTRATION AND AIR CONDITIONING EQUIPMENT AND VAPOR BARRIERS, PROPERTY RELATED TO FIRE CONTROL SUCH AS FIRE SUPPRESSION EQUIPMENT AND ALARMS, POWER GENERATORS, POWER CONDITIONERS, PROPERTY RELATED TO PROVIDING A SECURE ENVIRONMENT SUCH AS PROTECTIVE BARRIERS, PROPERTY WHICH WHEN INSTALLED IN SUCH FACILITY OR STRUCTURE WILL CONSTITUTE RAISED FLOORING, AND OTHER SIMILAR PROPERTY.” and reentering the remaining subdivisions.

Representative Townsend moved to adopt the amendment to HB 5075 (H-1).

The motion failed by a vote of 5-8-0.

UNFAVORABLE ROLL CALL:

YEAS: Representatives Howrylak, Townsend, Clemente, LaVoy, and Byrd.

NAYS: Representatives Farrington, Maturen, Somerville, Yonker, Chatfield, Glenn, Iden, and Webber.

PASS: None.

Representative Maturen moved to report HB 5075 as substitute (H-2), with recommendation.

The motion prevailed by a vote of 8-5-0.

FAVORABLE ROLL CALL:

YEAS: Representatives Farrington, Maturen, Yonker, Iden, Webber, Clemente, LaVoy, and Byrd.

NAYS: Representatives Somerville, Howrylak, Chatfield, Glenn, and Townsend.

PASS: None.

Representative Iden offered the following amendments to HB 5076 (H-1):

1. Amend page 1, line 4, after "INCLUDING" by inserting a comma and "BUT NOT LIMITED TO,".

2. Amend page 2, line 2, after "OF" by striking out "2" and inserting "1".

3. Amend page 2, line 26, after "OF" by striking out "THIRD-PARTY DATA" and inserting "DATA OF 1 OR MORE OTHER PERSONS".

Representative Iden moved to adopt the amendments to HB 5076 (H-1).

The motion prevailed by a vote of 13-0-0.

FAVORABLE ROLL CALL:

YEAS: Representatives Farrington, Maturen, Somerville, Yonker, Howrylak, Chatfield, Glenn, Iden, Webber, Townsend, Clemente, LaVoy, and Byrd.

NAYS: None.

PASS: None.

Representative Webber offered the following amendments to HB 5076 (H-1):

1. Amend page 1, line 1, after "(1)" by striking out "BEGINNING" and inserting "SUBJECT TO SUBSECTION (2), BEGINNING".

2. Amend page 1, following line 7, by inserting:
"(2) THE EXEMPTION DESCRIBED IN SUBSECTION (1) APPLIES ONLY IF
EITHER OF THE FOLLOWING OCCURS:

(A) FOR A QUALIFIED DATA CENTER IN WHICH THE ELIGIBLE DATA CENTER PROPERTY IS LOCATED THAT WAS IN OPERATION BEFORE JANUARY 1, 2016, THE GOVERNING BODIES OF THE LOCAL TAX COLLECTING UNIT AND THE COUNTY IN WHICH THE QUALIFIED DATA CENTER IS LOCATED FAIL TO ADOPT RESOLUTIONS REJECTING APPLICATION OF THE EXEMPTION DESCRIBED IN

SUBSECTION (1) BEFORE APRIL 1 OF THE FIRST YEAR THAT THE ELIGIBLE DATA CENTER PROPERTY COULD BE MADE SUBJECT TO THE COLLECTION OF TAXES UNDER THIS ACT BY THAT RESOLUTION.

(B) FOR A QUALIFIED FATA CENTER IN WHICH THE ELIGIBLE DATA CENTER PROPERTY IS LOCATED THAT BEGINS OPERATED AFTER DECEMBER 31, 2015, THE GOVERNING BODIES OF THE LOCAL TAX COLLECTING UNIT AND THE COUNTY IN WHICH THE QUALIFIED DATA CENTER IS LOCATED ADOPT RESOLUTIONS APPROVING APPLICATION OF THE EXEMPTION DESCRIBED IN SUBSECTION (1) BY NOT LATER THAN MARCH 31, 2016.” and renumbering the remaining subsection.

Representative Webber moved to adopt the amendments to HB 5076 (H-1).

The motion prevailed by a vote of 12-1-0.

FAVORABLE ROLL CALL:

YEAS: Representatives Farrington, Maturen, Somerville, Yonker, Howrylak, Chatfield, Glenn, Iden, Webber, Clemente, LaVoy, and Byrd.

NAYS: Representative Townsend.

PASS: None.

Representative Townsend offered the following amendment to HB 5076 (H-1):

1. Amend page 1, line 3, after “ACT” by inserting “IF APPROVED BY THE GOVERNING BODY OF THE LOCAL TAX COLLECTING UNIT IN WHICH THE ELIGIBLE DATA CENTER PROPERTY IS LOCATED”.

Representative Townsend moved to adopt the amendment to HB 5076 (H-1).

The motion failed by a vote of 4-8-1.

UNFAVORABLE ROLL CALL:

YEAS: Representatives Townsend, Clemente, LaVoy, and Byrd.

NAYS: Representatives Farrington, Maturen, Somerville, Yonker, Chatfield, Glenn, Iden, and Webber.

PASS: Representative Howrylak.

Representative Clemente offered the following amendment to HB 5076 (H-1):

1. Amend page 2 line 19, after “ACTIVITY” by inserting a comma and “INCLUDING VERTICALLY INTEGRATED BUSINESS ACTIVITY”.

Representative Clemente moved to adopt the amendment to HB 5076 (H-1).

The motion failed by a vote of 1-10-2.

UNFAVORABLE ROLL CALL:

YEAS: Representative Clemente.

NAYS: Representatives Farrington, Maturen, Somerville, Yonker, Howrylak, Chatfield, Glenn, Iden, Webber, and Townsend.

PASS: Representatives LaVoy and Byrd.

Representative Clemente offered the following amendment to HB 5076 (H-1):

1. Amend page 2 line 18, after "LEAST" by striking out "51%" and inserting "25%".

Representative Clemente moved to adopt the amendment to HB 5076 (H-1).

The motion failed by a vote of 1-10-2.

UNFAVORABLE ROLL CALL:

YEAS: Representative Clemente.

NAYS: Representatives Farrington, Maturen, Somerville, Yonker, Howrylak, Chatfield, Glenn, Iden, Webber, and Townsend.

PASS: Representatives LaVoy and Byrd.

Representative Maturen moved to report HB 5076 as substitute (H-2), with recommendation.

The motion prevailed by a vote of 8-5-0.

FAVORABLE ROLL CALL:

YEAS: Representatives Farrington, Maturen, Yonker, Iden, Webber, Clemente, LaVoy, and Byrd.

NAYS: Representatives Somerville, Howrylak, Chatfield, Glenn, and Townsend.

PASS: None.

There being no further business before the committee and seeing no objection, the Chair adjourned the meeting, the time being 12:00 p.m.

Representative Jeff Farrington, Chair

Date Approved and Signed

Kevin Gawronski
Committee Clerk
December 2, 2015
1 hour 30 minutes